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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

9 October 1984

Indonesia-China: Warming Trend Emerges []

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Summary

The Indonesian Foreign Department--after rebuffing repeated Chinese attempts to restore relations "frozen" following Indonesia's abortive Communist coup in 1965--is making clear efforts to promote direct trade with Beijing. Jakarta's need to earn foreign exchange is the primary factor motivating President Soeharto toward a change in policy. Soeharto must contend, however, with powerful resistance within the military, which blames Beijing for the bloody 1965 coup attempt. In addition, resistance is likely to be maintained by longstanding animosity in Indonesia toward its own Chinese population. Politically influential businessmen with ties to Taiwan also could retard or halt Jakarta's recent moves. As a result, both capitals are moving gingerly to protect the still fragile initiative. We believe the Indonesian military's negative attitude will limit current developments to no more than consideration of an exchange of trade offices. []

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This memorandum was prepared by [] China Division, Office of East Asian Analysis with a contribution by [] Southeast Asia Division, Office of East Asian Analysis. Comments and questions are welcome and should be addressed to Chief, OEA/China/Foreign Affairs Branch, []

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booming construction industry. Jakarta's plywood industry is expanding rapidly and one-third of its exports now go to Hong Kong and Singapore--much of it transshipped to China. [REDACTED]

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The View from Beijing

Beijing has signalled its willingness to accept a gradual approach to restoring ties. On 5 September, a Chinese Foreign Ministry spokesman said in response to a question that "our consistent policy is to develop good relations with Indonesia. China and Indonesia hold common or similar views on major international issues. China is ready to develop exchanges and relations in various forms in order to promote mutual friendships and understanding between people." [REDACTED]

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[REDACTED]

The reference in the Chinese spokesman's response to "common or similar views on major international issues" may also represent an effort to exploit Indonesia's diplomatic frustrations with Vietnam over Kampuchea. Jakarta's tentative effort to use Armed Forces Commander Murdani last winter to cultivate a special relationship with Hanoi was derailed in March by Vietnamese Foreign Minister Nguyen Co Thach's insulting dismissal of President Soeharto's proposals to resolve the Kampuchean problem. [REDACTED]

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The Chinese may also see an opportunity in Murdani's failed mission to enhance cooperation with Indonesia and the other member states of the Association of Southeast Asian nations to oppose the Vietnamese occupation of Kampuchea. [REDACTED]

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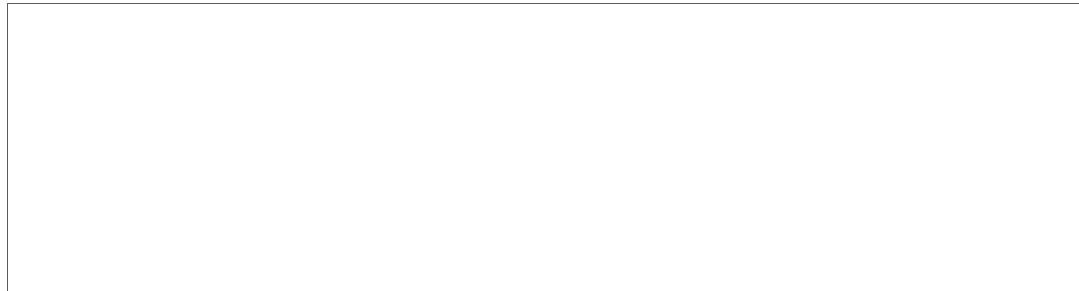
China and Indonesia's Communists

In a conversation with US Embassy officers in Beijing, Chinese Foreign Ministry officials responsible for dealings with Indonesia noted the improved climate, but were cautious about how far Indonesia may go. They pointed in particular to President Soeharto's still standing demand for a public Chinese commitment to terminate support for the Communist Party of Indonesia (PKI)--something the Chinese insist they will not do. Beijing maintains it has the right to give "moral and political support" to the PKI or any other Communist party, although the Chinese also say they

Signs of a Thaw

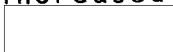
Until recently Indonesian authorities have implacably refused to have any contacts with Beijing that implied relations were improving. Since last spring, however, several signs have emerged that President Soeharto has authorized exploring the establishment of a direct trading relationship with the Chinese:

- President Soeharto's failure this year to rule out normalization of relations with China as he did when he addressed the opening of Parliament last year.
- Foreign Department's attempt, although unsuccessful, to fund a new mission in Beijing in this year's stringent national budget.
- A senior Indonesian official's meeting with China's President during ceremonies in Bucharest in August. Foreign Minister Mochtar later disclosed that he had authorized Indonesian diplomats to exchange calls with their Chinese counterparts overseas.
- Disclosure that the head of a politically well-connected semiofficial think tank will lecture in China next year.



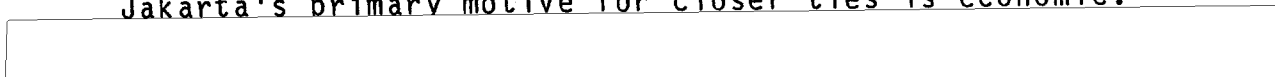
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Jakarta's Perspective

The Foreign Department has long desired to normalize diplomatic relations with China. Foreign Minister Mochtar has been frustrated at not having direct relations with Indonesia's largest neighbor and has lobbied for better ties to enhance Jakarta's more active foreign policy and nonaligned image. Mochtar probably considers upgrading ties with Beijing as a useful parallel to Jakarta's increased receptivity to closer trade relations with Moscow. 

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Jakarta's primary motive for closer ties is economic.



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 For example, Jakarta hopes plywood will find a ready market in the Chinese mainland's

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will not materially aid the PKI. Chinese officials have said that although Indonesian Communists exiled in China retain links to the Chinese party's International Liaison Department, they have lost access to the media. [REDACTED]

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One official accused the Indonesians of using the PKI issue as an "excuse" to avoid improving relations. Pervasive Indonesian fear of the economic power and foreign connections of the ethnic Chinese community in their country continue to act as a brake on relations with China. The Indonesian regime's propensity to move only with extreme caution and to insist on tight government control may also reinforce its inclination to place severe limitations on any dealings with China. [REDACTED]

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Prospects

According to the US Embassy in Jakarta, President Soeharto is still reserving judgment on whether to go ahead with direct trade. Although the military's foremost spokesman, General Murdani, lost some prestige during his venture into foreign policymaking last winter, he can be expected to express the military's view of the relationship, if only to protect the military's vested commercial interests. Soeharto himself will watch for negative reactions of the Indonesian populace. Taiwan's many friends in the Indonesian military and business community may also seek to limit and perhaps even prevent the opening of the relationship. [REDACTED]

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The military and security hierarchy might concede to limited trade contacts with the Chinese [REDACTED]

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[REDACTED] Soeharto's consensus-seeking style and need to maintain good relations with his senior military colleagues, however, suggest he will not make any radical shift in policy. [REDACTED]

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Even if a direct trade relationship materializes in the next few months, the outlook will be for no more than very measured and hesitant steps forward without fanfare. According to the US Embassy, key military figures see no reason to hurry. We believe it is highly unlikely that Jakarta will be prepared under even the most favorable circumstances to reestablish diplomatic relations soon. At best, the current developments in Sino-Indonesian relations might lead to the opening of a trade office in Beijing similar to one maintained there by Singapore. [REDACTED]

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Meanwhile, the strong security consciousness of the Indonesian leadership, their aversion to Communism, and their deep mistrust of Chinese motives will incline Jakarta to continue pressing Washington to go slow on transfers of goods and

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technology that might strengthen the Chinese armed forces.
Jakarta's desire to appear independent and a leader in Southeast
Asia also will continue to restrain public cooperation with
Beijing against Vietnam and the Soviet Union. [REDACTED]

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